

Message Text

UNCLASSIFIED

PAGE 01 TORONT 00637 012034Z

73

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 USIA-15

PRS-01 /108 W

----- 125396

R 011939Z MAY 75

FM AMCONSUL TORONTO

TO SECSTATE WASHDC 2667

INFO AMEMBASSY OTTAWA

AMCONSUL CALGARY

AMCONSUL HALIFAX

AMCONSUL MONTREAL

AMCONSUL QUEBEC

AMCONSUL ST

AMCONSUL VANCOUVER

AMCONSUL WINNIPEG

UNCLAS TORONTO 0637

E.O. 11652 N/A

TAGS: ENRG, ETRD, CA

SUBJ: OIL COMPANIES DIFFER ON NEED FOR CRUDE PRICE INCREASE BUT
TOGETHER ON IMPOSSIBILITY OF CURRENT TAX/ROYALTY SITUATION

REF: TORONTO 0605

1) GULF AND IMPERIAL OIL ANNUAL SHAREHOLDERS MEETINGS IN TORONTO
DURING WEEK APRIL 21 BOTH MARKED BY FRANK STATEMENTS OF
COMPANY EXECUTIVES THAT DEVELOPMENT OF CANADIAN PETROLEUM
INDUSTRY TO PROVIDE FOR DOMESTIC DEMAND HINGES NOT ON
PRICE INCREASE BUT ON REVISION OF FEDERAL/PROVINCIAL TAX/
ROYALTY SYSTEMS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TORONT 00637 012034Z

WL GULF OIL CANADA LTD. PRESIDENT JERRY MCAFEE TOLD SHAREHOLDERS

THAT COMPANY DOES NOT WANT PRICE INCREASE UNDER CURRENT TAX/ROYALTY SCHEMES. HE SAID THAT APRIL 1974 INCREASE FROM DLS3.80 TO DLS6.50 PER BARREL RAISED INDUSTRY RETENTION FROM 53 CENTS TO DLS1.17 BUT THIS CUT TO 13 CENTS BY NOVEMBER FEDERAL BUDGET TAX PROVISIONS WHICH RETROACTIVE TO MAY. ALBERTA DECEMBER TAX AND ROYALTY CHANGES BROUGHT RETENTION TO 47 CENTS BUT AT END 1974 INDUSTRY AVERAGE RETENTION ON DLS6.50 BARREL SIX CENTS LESS THAN AT BEGINNING YEAR WITH DLS3.80 BARREL. MCAFEE SAID EACH DOLLAR PRICE INCREASE WOULD BRING COMPANIES ONLY ONE CENT ON ALBERTA CRUDE WHICH 85 PERCENT OF WESTERN PRODUCTION AND BECAUSE OF EVEN WORSE ROYALTY SITUATION IN SASKATCHEWAN WHICH ACCOUNTS FOR MOST OF REMAINING PRODUCTION, WHERE COMPANIES NOW LOSING 76 CENTS ON EACH BARREL, EVERY DOLLAR INCREASE WOULD MEAN ADDITIONAL 37 CENT LOSS. BRITISH COLUMBIA ALSO DESCRIBED AS WORSE THAN ALBERTA. MCAFEE TOLD SHAREHOLDERS THERE QUOTE PLENTY OF ROOM, AT LEAST FOR THE TIME BEING, WITHIN THE PRESENT DLS6.50 PRICE, FOR BOTH LEVELS OF GOVERNMENT TO BACK OFF SUFFICIENTLY TO PROVIDE THE INCENTIVE AND ENCOURAGEMENT NECESSARY TO REVITALIZE CANADA'S VITALLY IMPORTANT PETROLEUM INDUSTRY UNQUOTE.

3. IMPERIAL CHAIRMAN J.A. ARMSTRONG SPOKE ABOUT NEGATIVE EFFECTS OF TAX/ROYALTY SITUATION WHICH SHOWED FIRST QUARTER 1975 COMPANY REVENUE UP BY 17 PERCENT OVER FIRST QUARTER 1974 BUT PROFITS AT DLS.74.7 MILLION DOWN BY 19 PERCENT. HE SAID GOVERNMENT S TAKE, EXCLUDING ROAD AND EXPORT TAXES, INCREASED IN SAME PERIODS BY DLS.31 MILLION TO DLS.142 MILLION. DIFFERING FROM GULF POSITION, ARMSTRONG RECOMMENDED GRADUAL PRICE INCREASES TO WORLD LEVELS COMBINED WITH CHANGES IN FEDERAL/PROVINCIAL TAX AND ROYALTY SCHEMES AS PRICE RISE ITSELF QUOTE NOT THE ENTIRE ANSWER UNQUOTE. IMPERIAL HAS PROPOSED FORMULA OF FIXED PROVINCIAL ROYALTY OF 35 PERCENT AS A FUNCTION OF VOLUME NOT OF PRICE AND INCOME TAX DEDUCTIBILITY OF ROYALTIES UP TO 16 2/3 PERCENT. ARMSTRONG SAID PROVINCIAL ROYALTY FACTORS, AND NOVEMBER 1974 FEDERAL BUDGETS RESPONSIBLE FOR THE STRAINED INVESTOR CONFIDENCE WHICH LED TO EXODUS OF EXPLORATION AND DRILLING EXPERTISE AND EQUIPMENT AND EMPHASIZED RESTORATION OF PETROLEUM DEVELOPMENT MOMENTUM WILL RESULT FROM UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TORONT 00637 012034Z

INCENTIVES AND NOT FROM THE PUNITIVE LEGISLATION PROPOSED BY SOME TO KEEP EXPLORERS IN CANADA. HE STATED QUOTE NO ONE ANTICIPATED THAT PAROCHIAL CONCERNS ON ONE HAND, AND CONSTITUTIONAL CONCERNS ON THE OTHER, WOULD SO PREOCCUPY GOVERNMENTS TO THE POINT THAT CANADAS FUTURE ENERGY SUPPLY WOULD BE SUBORDINATED UNQUOTE.
YLITALO

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, POLICIES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TORONT00637
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750153-0984
From: TORONTO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750587/aaaadcoi.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 TORONTO 0605
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by SilvaL0>; APPROVED <03 MAR 2004 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OIL COMPANIES DIFFER ON NEED FOR CRUDE PRICE INCREASE BUT TOGETHER ON IMPOSSIBILITY OF CURRENT TAX/ROYALTY SITUATION
TAGS: ENRG, ETRD, CA, GULF OIL, IMPERIAL OIL, (MCAFEE, JERRY), (ARMSTRONG, J A)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006